

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT			1. CONTRACT ID CODE		PAGE OF PAGES 1 19		
2. AMENDMENT/MODIFICATION NO. 01		3. EFFECTIVE DATE see block 16C		4. REQUISITION/PURCHASE REQ. NO. n/a		5. PROJECT NO. (if applicable)	
6. ISSUED BY USAID/CAR Office of the Director, Contracts 7030, Almaty Place, Dept of State, Washington, D.C. 20521-7030		CODE		7. ADMINISTERED BY (if other than block 6)		CODE	
8. NAME AND ADDRESS OF CONTRACTOR (No., street, country, State and ZIP code)				9A. AMENDMENT OF SOLICITATION NO. Draft EF176-02-003			
				9B. DATED (SEE ITEM 11) November 11, 2001			
				10A. MODIFICATION OF CONTRACT/ORDER NO.			
				10B. DATED (SEE ITEM 13)			
CODE		FACILITY CODE					
11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS							
<p>[x] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers [] is extended, [x] is not extended.</p> <p>Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods:</p> <p>(a) By completing Items 8 and 15, and returning __ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.</p>							
12. ACCOUNTING AND APPROPRIATION DATA (If required) n/a							
13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.							
A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A							
X B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, Appropriation date, etc.) SET FORTH IN ITEM 14., PURSUANT TO THE AUTHORITY OF FAR 43.103(b).							
C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:							
D. OTHER (Specify type of modification and authority)							
E. IMPORTANT: Contractor [] is not, [] is required to sign this document and return __ copies to the issuing office.							
14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)							

The purpose of this Modification is to replace the Section C – Statement of Work with the revised version. Accordingly, the solicitation is hereby modified by deleting the Section C in its entirety and substituting with attached pages 3-19. The Section B.1 - Purpose is revised accordingly.

[continued on page 2]

15A. NAME AND TITLE OF SIGNER (Type or print)		16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) Marcus A. Johnson, Jr. Contracting Officer	
15B. CONTRACTOR/OFFEROR _____ (Signature of person authorized to sign)	15C. DATE SIGNED	16B. UNITED STATES OF AMERICA BY <u>/s/</u> (Signature of Contracting Officer)	16C. DATE SIGNED 11/28/01

PART I - THE SCHEDULE**SECTION B - SUPPLIES OR SERVICES AND PRICES/COSTS****B.1 PURPOSE**

The purpose of this contract is to procure services in order to improve the environment for small and medium enterprises (SMEs) in the five Central Asian Republics. This contract has six major components: 1) Business Training, 2) Accounting Reform, 3) Business Advisory Services, 4) Regional Trade Promotion, 5) Quality Management Services in Atyrau, Kazakhstan, and 6) Other Cross-Cutting Related Activities.

The budget for this activity is approximately USD \$7 million per year. USAID will focus on the above six components, but will rely on the contractor to determine how best to allocate the funds among the six components to achieve maximum results. Also, given the increased focus on Central Asia, and the added importance of maintaining regional stability and mitigating the potential for conflict, the contractor is requested to provide an annex to their proposal that illustrates how an additional (option of) USD \$4 million per year would be allocated. The allocation of funding should include additional focus on each of the components, except the professional accounting certification (Component #2) and the Quality Management Program (Component #5), as the contractor should provide maximum training and certification of these components under the base contract.

[End of Clause]

B.2 CONTRACT TYPE

Cost-Plus-Fixed-Fee (CPFF) or Cost-Plus Award Fee three-year completion contract, with two one-year option periods. For the consideration set forth below, the Contractor shall provide the deliverables or outputs described in Section F in accordance with the performance standards specified in Section E.

[End of Clause]

B.3 ESTIMATED COST, FEE, AND OBLIGATED AMOUNT

(a) The estimated cost for the performance of the work required hereunder, exclusive of fee, if any, is \$TBD. The fixed or maximum award fee, if any, is \$TBD. The estimated cost plus award fee or cost plus fixed fee, if any, is \$TBD.

(b) Within the estimated cost plus fixed fee (if any) specified in paragraph (a) above, the amount currently obligated and available for reimbursement of allowable costs incurred by the Contractor (and payment of fee, if any) for performance hereunder is \$TBD. The Contractor shall not exceed the aforesaid obligated amount.

(c) Funds obligated hereunder are anticipated to be sufficient through TBD.

[End of Clause]

B.4 LINE ITEMS

CLINS-	3 Year Period	
0001	Year 1 - TOTAL	\$ _____
0001AA	Labor	\$ _____
0001AB	Other Direct Costs	\$ _____
0001AC	Material & Equipment	\$ _____
0001AD	Training	\$ _____
0001AE	Indirect Costs	\$ _____
0001AF	Fee	\$ _____
0002	Year 2 - TOTAL	\$ _____
0002AA	Labor	\$ _____
0002AB	Other Direct Costs	\$ _____

SECTION C – STATEMENT OF WORK

The Enterprise Development Project

I. Summary

The vision of USAID/CAR (Central Asia Republics) is building pluralism and stability among the people and institutions of Central Asia. Our goal is to expand opportunities for participation, livelihood and quality of life for the citizens of the Central Asian Republics. This business training and advisory activity will be implemented through the Enterprise and Finance Office as part of Strategic Objective 1.3 (S.O.1.3), which calls for an improved environment for the growth of small- and medium-sized enterprises. Intermediate Results to be achieved under this activity fall under *I.R.1.3.1 - increased opportunity to acquire business information, knowledge and skills.*

Throughout the world SMEs are a major factor in economic growth and key to employment generation. Employment trends in the emerging economies of Eastern Europe serve as an excellent example of the importance of the SME sector for job creation. SMEs account for 58% of employment in Georgia, 37% in the Czech Republic, 24% in Hungary, and 23% in Poland. With such vibrant SME sectors, these countries have enjoyed healthy economic growth over the past decade. In contrast, the contribution of SMEs to economic growth and job creation is disappointingly low in Central Asia. Thus, the growth of the SME sector in Central Asia represents great potential for new job creation and economic growth. Extensive analysis of SME development and constraints to growth in Central Asia have concluded that the environment for doing business in Central Asia must be improved for the SME sector to grow.

The development of the small and medium enterprise sector (defined as businesses with less than 500 full-time employees) is a key component in the transition to a free market economy. In addition to economic benefits, SMEs are vital to the growth and sustainability of democratic reforms. The countries of Central Asia still face the challenge of building an economic middle class that will demand openness in political processes. Political freedom can only be sustained as long as citizens can be assured that they have viable opportunities for employment and investment and the right to own and operate businesses.

II. A Regional Approach to Technical Assistance

Economic development and political conditions vary among the five countries in the region. Therefore, activities under this scope of work will be tailored to each of the five countries. The contractor will constantly review each Republic to assess the potential for the range of services offered through this contract.

In Kazakhstan, where the greatest amount of progress and support for economic reforms has been demonstrated, USAID will offer the full range of activities listed in the following table. The Quality Management Program will be offered only in Kazakhstan.

In Kyrgyzstan, where the government has shown a commitment to economic reform, USAID will also offer the full range of activities listed in the table below.

While Tajikistan's government has demonstrated its commitment to economic reform, political instability in Tajikistan has limited USAID's ability to provide assistance there. Because travel restrictions have recently eased, USAID is hoping to offer the full range of activities as noted in the table below.

In Uzbekistan where reform has progressed at a slow pace, USAID/CAR will apply a scaled down version of the project activities in an attempt to build on limited progress.

In Turkmenistan, where the government has failed to embrace reform and to adopt and implement the prerequisite laws, regulations and institutions, USAID/CAR will limit its support to business training (business courses and professional accounting courses) in selected areas.

The sub-regional importance of the Ferghana Valley Region must not be understated. The extensive dependence on agriculture (both production and processing) in this region affects the economies of Kyrgyzstan, Uzbekistan, and Tajikistan. The contractor shall tailor project resources to provide agro-business information, training, and education to this critical region of Central Asia.

When considering personnel and staffing decisions, the contractor should take a regional view. For example, USAID envisions the contractor having a Chief of Party in Kyrgyzstan (a US citizen) and Country Representatives in Uzbekistan, Kazakhstan, Turkmenistan and Tajikistan (may be a host country national).

Location of Components

Kazakhstan	Kyrgyzstan	Uzbekistan	Tajikistan	Turkmenistan
BT	BT	BT	BT	BT
ACCTG	ACCTG	ACCTG	ACCTG	ACCTG
BAS	BAS	BAS	BAS	—
RTN	RTN	RTN	RTN	—
QMS				

III. Statement of Work

Requirements

This activity consists of five key components: 1) Business Training, 2) Accounting Reform, 3) Business Advisory Services, 4) Regional Trade Promotion, 5) Quality Management Services in Atyrau, Kazakstan, and 6) Other Cross-Cutting Related Activities.

1. Business Training

Due to the legacy of the Soviet Era command economy, the majority of Central Asian citizens lack basic business education and training. Therefore, the development of human resources must be a top priority for bringing the Central Asian Republics into the global market economy. USAID/CAR considers education and professional training for business people, public officials and the next generation of entrepreneurs as an important step in making the transition to a market economy.

Entrepreneurs need access to basic business education courses in management, marketing, finance, accounting and other areas of business. Government officials responsible for the passage and implementation of economic reforms also need basic business education. Owners and operators of small businesses need assistance in identifying market niches and developing strategies and business plans to reach targeted markets. Chief accountants, auditors and financial officers need to understand and implement international accounting standards, practices, principles and ethics. Therefore, all the services and assistance offered are demand driven.

USAID has learned a great deal about delivering business training from its successful enterprise accounting reform activities in Central Asia and from the first two years of implementation of this SME Development Activity. For example, in Kazakhstan, USAID delivered short-term, conversion-specific, accounting training to over 6,000 chief accountants in the process of helping over 1,370 enterprises convert their financial systems from the old accounting standards to the new IAS-based standards. In Kyrgyzstan, more than 3,100 participants have completed an intensive financial accounting training course of which over 86% (2,656) have been women.

The objective of this component is to provide practical business training to entrepreneurs, SME managers and selected government officials throughout Central Asia. The contractor is required to propose its method of selecting, delivering, and overseeing quality control of business training and professional accountancy courses. It will also be responsible for quality control and for the security of all examinations and testing.

The contractor will be tasked with selecting business-training material for basic business practices such as finance, marketing, management, accounting, business planning, information technology and strategic planning. Wherever possible this material will be drawn from existing material that is available in the Russian Language and meets project standards. This training will consist of business courses (4-40 hours) for entrepreneurs, SME managers and appropriate local government officials. Business training will be required to maximize the potential benefits of the EDC by expanding their course offerings to include material that address issues associated with trade, procurement, franchising, leasing, quality management, ISO certification and other related topics.

The economic value of a well-developed agro-business sub-sector in the Ferghana Valley must be stressed in targeting SMEs in project activities in Kyrgyzstan, Uzbekistan, and Tajikistan. The contractor will tailor BAS activities and business training to meet the unique demands of agro-businesses in the Ferghana Valley.

In the past, business courses were advertised and offered to the general public through open enrollment. Under this contract, however, general, open enrollment courses will be offered only in Turkmenistan, where training will target the next generation's entrepreneurs and managers. For the other republics, the contractor will deliver courses targeting companies with which the EDCs are working on related training and technical assistance, such as franchising, ISO 9000, and import-export. Though USAID's open enrollment strategy was successful, it was determined that the target audience, that is, those capable of making managerial decision, could be better reached by through more strategic, customized course offerings.

Customized business short course training will be more of an executive training effort focused on the decision makers and organized and scheduled in such a fashion as to take advantage of their

availability, i.e., evenings and weekends. The contractor shall design and offer courses that tie directly to specific objectives within the project's overall objectives. For example, to stimulate greater cross-border trade through the Regional Trade Promotion component, the contractor could offer courses on export/import. Additionally, courses could be offered to assist local companies in preparing bids to compete for multinational corporation tenders. Courses can also be offered which directly support other project activities, such as "How to Read a Financial Statement" for enterprises converting to international accounting standards.

The contractor shall propose the total number of hours of business training it will deliver by year and by country.

There is a great deal of interest and potential for franchising in the Republic of Kazakhstan. In collaboration with the Regional Coordinator for Business Training, the contract will conduct a series of seminars and workshops promoting franchises in Kazakhstan. The contractor will conduct a review of franchising possibilities in Kazakhstan. Promotional efforts will feature work with local associations of entrepreneurs to conduct a franchise trade show and work with government officials to develop marketing material that promotes franchise opportunities in Kazakhstan to US franchisers. The number of seminars and related activities will be included in the annual workplans.

A key responsibility of the contractor will be to monitor, evaluate and work to continually improve the training curriculum. This will be accomplished by follow up, in-company visits with course participants, questionnaires completed at the end of each course, follow up surveys, or other means. These efforts will ensure that courses are well-coordinated with other aspects of the activity and that the contractor is accurately targeting the needs of SMEs in the region. Additionally, as part of its efforts to streamline the delivery assistance and to maximize training under a limited budget, USAID envisions the establishment of regional training, material and programs, which will utilize local training partners (LTPs).

USAID has a separate agreement with the Citizen's Democracy Corp to provide MBA Enterprise Corp Graduate School Volunteers (GSV) to the contractor as members of the Enterprise Development Project. The contractor will be expected to facilitate and coordinate the GSV's role in this activity and will be evaluated by the CTO on how extensive these GSV team members are utilized. Specifically, the contractor will provide a working area, transportation, per diem, and other incidentals for each GSV.

The Peace Corps assigned business volunteers to LTPs in Central Asia work part-time on this activity. Depending on the availability of Peace Corps volunteers, the contractor will cover the cost of transportation, accommodation, and per diem associated with PCV project activities and visits to the contractor's offices or the training facilities.

2. Accounting Reform

USAID has played a major role in providing technical assistance for accounting reform in the Former Soviet Union (FSU). While a large portion of this effort has been centered on the five Central Asian Republics: Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan, USAID has been active in promoting accounting reform in almost all of the FSU states. Drawing from international associations such as the International Federation of Accountants (IFAC) and International Standards of Accounting Reform (ISAR), one key aspect of USAID's accounting reform assistance has been to

provide the guidance and standards covering most of the components of a global accounting framework, including financial accounting standards, audit standards, a code of ethics, management accounting standards, guidance for forming professional associations, establishing education programs, and administering exams.

USAID has had success in developing accounting/auditing associations that serve as a means of professional development and a lobbying voice to protect and promote the interests of progressive accountants/auditors. Under this contract, USAID will continue to support progressive accounting associations in Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan, which have or will adopt International Federation of Accountants (IFAC) compliant charters. One objective of this support is to assist the associations to become qualified for full IFAC membership and to strengthen their position under the regional umbrella of the Central Asian Council of Accountants and Auditors (TsASBA, per its Russian acronym).

USAID has been rigorous in basing its technical assistance for accounting reform on the IFAC framework. This is particularly the case in Central Asia. USAID has pushed for the adoption *in form and content* of IAS,¹ a process that is well underway in both Kazakhstan and Kyrgyzstan. USAID also persuaded both those countries to adopt IFAC's International Standards of Audit (ISA), as well as the IFAC Code of Ethics.

USAID has supported the establishment and development of a Central Asian Regional Council of Accounting and Audit associations, TsASBA. The contractor will assist to develop regionally harmonized education, examination and certification program based on IFAC guidelines. Contractor support for association accounting and audit association development includes, but is not limited to, logistical and financial support for the meetings and conferences related to formation and development of national accounting and auditing associations and the regional TsASBA. The contract will assist TsASBA is developing and implementing a business plan which will lead to financial sustainability. The contractor will initiate procedures by which funds can be provided in the form of grants to developing and existing associations who demonstrate a willingness to meet project objectives.

In addition, USAID has required accounting and audit professional associations to adopt charters compatible with membership in IFAC in order to qualify for receiving USAID technical support. USAID has actively supported associations to become associate or full members of IFAC. In the process of promoting IFAC standards, policies and procedures, USAID has funded, and will continue to fund under this contract, the translation of core accounting text and IFAC documents into Russian.

Thus, USAID and the global accounting framework it has been developing, has been a primary force in helping to promote accounting reform in Central Asia. The international standards and guidelines have provided a countervailing paradigm that has mitigated the tendency of national governments to want to create an accounting and audit framework unique to their particular country (and under their continued control). It has had the same salutary effect in pushing local accountants and auditors and nascent professional associations to improve their governance and technical and professional standards to meet those of the global framework.

¹ International Accounting Standards, as promulgated by IASB.

Since USAID's program began in the region in 1997, individual courses comprising the program have been given to over 15,000 participants. Almost 7,000 have volunteered to take rigorous and comprehensive exams in those courses. Over 3,500 exam candidates have passed course-specific exams. In addition, thousands of accounting students in Central Asian Higher Education Institutions are being taught the academic version of these courses and curriculum.

The delay in transitioning from command to market economies adversely affects the lives of hundreds of millions of individuals, and arguably threatens the economic and political stability of the world order, it is clear that active interventions on the part of international donors and development organizations, such as USAID, the World Bank, or EU-TACIS, and international accounting bodies, such as IFAC and ACCA continue to be necessary. International audit and accounting firms and professional associations with international programs may also provide critical assistance.

USAID has supported the establishment of the legal/regulatory basis for adoption of IAS and ISA in both form and content in Kazakhstan, Kyrgyzstan and Uzbekistan. The contractor will continue to support the establishment and development of the IAS and ISA legal/regulatory basis in these countries as well as in Tajikistan and Turkmenistan as far as the situation in these countries permits. The contractor will provide training on IAS and ISA to appropriate government officials. It will also offer technical assistance and guidance pertaining to accounting and audit laws, decrees and regulations and assistance to regulatory bodies, such as securities market regulatory bodies, involved in accounting in each country.

The contractor will make a best effort to encourage the governments' of Kazakhstan, Uzbekistan and Tajikistan to adopt National Accounting Standards and Standard of Audit which are fully compliant with International Accounting Standards and International Standards of Audit. (Kyrgyzstan has already done so.) The contractor will be recognized for the successful adoption and implementation of IAS/ISA by these countries.

An essential part of the transition to market economies is the development of professional accountants to provide financial information and analysis. As part of its ongoing support for accounting reform in Central Asia, USAID is currently providing technical assistance for the establishment of a certification program for professional accountants.

The program is based on international accounting standards and practices. The goal of the program is to create professional accountants that are at the same technical and professional level as their counterparts in advanced market economies. In addition, the program aims to promote regional economic and professional integration, by creating a common certification framework for all five Central Asian Republics.

The program provides a set of seven core accounting courses plus a course on Information Technology that comply with the education guidance for professional accountants issued by the International Federation of Accountants (IFAC) and additional guidance included in the model global curriculum developed by the United Nations Council on Trade and Development/Intergovernmental Expert Working Group on International Standards of Accounting and Reporting (UNCTAD/ISAR). The specific technical content of the program is based on the UNCTAD/ISAR's model global curriculum.

The core accounting subjects covered by the seven courses include financial accounting, managerial accounting, finance, audit, tax and law. These courses can either be delivered in a training, academic or self-study format.

In the training format, each of the seven core accounting courses is 60 hours long. (The IT course will be shorter). The eight specific courses are as follows:

1. Financial Accounting I
2. Financial Accounting II
3. Management Accounting I
4. Management Accounting II
5. Finance
6. Audit
7. Tax & Law
8. IT

Most of the courses are based on Russian translations of prominent textbooks from Western market economies plus materials developed and adapted for the region by local professionals.

Each course, except the IT course, relates to a comprehensive, rigorous and independent exam. A successful exam candidate can either receive a “*Pass*” (50%-74%) or “*Pass with Distinction* (75%-100%).

Participants who pass exams can earn three designations:

1. *Accounting Technician*
2. *Certified International Accounting Practitioner (CIAP)*
3. *Certified International Professional Accountant (CIPA)*

The first level designation is Accounting Technician. This is a USAID/CAR designation. It is not based on IFAC International Educational Guidelines, and there will not be a certification issued by an Examination and Certification Network (ECN). However, successful completion of the Financial Accounting I examination is the basis for membership in some of the accounting associations in Central Asia. This designation can be earned by receiving at least a “Pass” on the exam for the first financial accounting course. The contractor will propose by year and by country how many Accounting Technicians it will train, examine and certify.

The second level designation, based on the IFAC Study Two guidelines, is the “Certified International Accounting Practitioner (CIAP)” This requires receiving at least “Pass” on the exams for first Financial Accounting and Management Accounting courses, plus at least “Pass” on the Tax & Law course exam. The contractor will propose by year and by country how many Certified International Accounting Practitioners it will train, examine and certify.

The third designation is “Certified International Professional Accountant (CIPA).” The CIPA requires receiving “Pass with Distinction” on the second level Financial and Management course exams, the Audit course exam, the Finance course exam and the Tax & Law course exam. The CIPA must also

complete the IT course. The contractor will propose by year and by country how many Certified Professional International Accountants it will train, examine and certify.

The contractor shall design a plan for implementation that maximizes the number of USAID certified technicians, certified international accounting practitioners, and certified international accounting professionals. As part of the contractor's proposal, the contractor shall propose the number of accountants that can be trained, and certified in each category, in each country, and provide those deliverables to USAID in its proposal.

The contractor, in cooperation with TsASBA and in partnership with Big 5 Accounting Firms, will manage an Examination and Certification Network (ECN) which will prepare, administer and grade the professional accounting examinations and issue certificates throughout Central Asia. For cost and operating efficiency, the actual administering may be done through a third party entity with experience in administering examinations and already has offices or presence in Central Asia. The American Council (ACCELS) and the Academy for Educational Development (AED) are two organizations that meet this criteria but are by no means the only ones.

It is essential that the accounting curricula of Higher Education Institutions (HEIs) be reformed to provide the comprehensive accounting education required by professional accountants and auditors to reach world standards. USAID has supported the development of a regional model accounting curriculum based on CGA and UNCTAD/ISAR. The contractor will work with the Ministries of Education in cooperating countries to adopt the model curriculum and will assist HEIs in implementation of the curriculum. Also, the contractor will be responsible for the translation and printing of textbooks that adhere to the new curricula.

The eight courses described above are designed to be readily adapted to comprise the core of the undergraduate accounting curriculum for Higher Education Institutions (HEIs) in Central Asia. The contractor will work with Ministries of Education and HEIs to adopt this reformed accounting curriculum. The contractor shall be recognized for the successful adoption of the model curriculum by the Ministries of Education in Uzbekistan and Tajikistan. (The Ministries of Education in Kazakhstan and Kyrgyzstan have already adopted the global model accounting curriculum.)

USAID has had success in developing accounting/auditing associations that serve as a means of professional development and a lobbying voice to protect and promote the interests of progressive accountants/auditors. The contractor will provide support for association accounting and audit association development includes, but is not limited to, logistical and financial support for the meetings and conferences related to formation and development of national accounting and auditing associations and the Central Asian Council of Accounts and Auditors (TsASBA). The contractor will initiate procedures by which funds can be provided in the form of grants to developing and existing associations that meet project objectives in the area of Association Development.

Under this sub-component, the contractor will work to help non-IFAC members meet the requirements for membership, while helping those who currently hold associate status gain full IFAC membership. Also, the contractor will work with the newly formed regional accounting association, TsASBA, to develop a business plan for self-sustainability.

3. Business Advisory Services

USAID has been offering business advisory services (BAS) successfully in Bishkek and Osh, Kyrgyzstan since October 2000. Under the SME Development Activity, USAID currently has Enterprise Development Centers (EDC) in Almaty, Pavlodar, Ust Kamenogorsk, Uralsk and Atyrau, Kazakhstan; Bishkek and Osh, Kyrgyzstan, Tashkent and Ferghana City, Uzbekistan; and Khojand and Dushanbe, Tajikistan. The EDCs serve small and medium enterprises that would not otherwise have access to such expertise. The EDCs provided BAS to assist local companies in improving operating efficiency, identifying trade opportunities, locating potential suppliers, and entering new markets, and other efforts which will improve their business. The EDCs are staffed with a combination of recent graduates of top U.S. Business Schools and experienced local professional consultants. The EDCs also offer seminars and workshops on business and trade issues relevant to the local SME community. In situations where firms require technical assistance beyond the capabilities of the EDC staff, senior volunteers from private volunteer organizations (PVOs) such as CDC, ACIDI-VOCA, and IESC are recruited. The BAS model has proven to be a cost effective mechanism for offering technical consulting services.

USAID/CAR conceived and implemented the BAS component of the SME Development Activity as a “pilot” project. Based upon the success of the pilot and the availability of funding, USAID/CAR envisioned that other business advisory centers would be established. Not only has the pilot been a success, but also the positive results of the pilot have led to requests for such services throughout Central Asia.

Recently, the Government of Kazakhstan appealed to the donor community to increase such services to the country’s SMEs. The focus of this appeal is to improve the quality of the products and services offered by local firms to meet the international standards required by multinational corporations working in Kazakhstan. EDCs are particularly well suited to provide technical assistance required meeting these standards.

Under this project, the contractor will continue and expand these services to include a number of additional sites throughout the region. The contractor will offer Business Advisory Services (BAS) through the Enterprise Development Centers in Bishkek and Osh, Kyrgyzstan; Almaty, Atyrau, Uralsk, Pavlodar and Ust-Kamenogorsk, Kazakhstan and; Fergana City, and Tashkent, Uzbekistan. Subject to availability of funding beyond of the base period, additional BAS will be provided in other locations throughout Central Asia. The BAS will provide information, workshops and consulting services to companies, which are at least 75% privately owned, at least 67% Central Asian ownership, and having up to 500 employees. (BAS may be offered to larger companies on a case-by-case basis subject to CTO written approval.) The BAS approach will be to view SMEs as clients and not as beneficiaries.

The contractor will identify the needs of the target companies and develop a strategy to address these needs. It will assist companies in improving operating efficiency and in expanding their ability to access and identify markets. The BAS will first research the current needs of SMEs through interviews with entrepreneurs and SME managers, and through other donors’ relevant studies, work, and reports.

Whenever possible, the BAS will be staffed with a combination of recent graduates of top U.S. Business Schools recruited through GSV programs and experienced local professional consultants. For technical advice the BAS will use these local professionals, GSVs, and experienced volunteer business

advisors (EVAs). The volunteers will be teamed with experienced local employees. The BAS teams will provide technical assistance and advice and make recommendations for services available through the BAS, other donor programs, local consulting services, and other USAID programs. The contractor shall propose an optimum number of EVA assignments by country and by year.

The BAS will team with local consulting companies to build their professional capacity and will utilize their services as appropriate. When practical, the EVAs will team with a representative of local consultant companies when providing technical assistance or advice to SMEs. The BAS also will serve as a business catalyst by identifying potential business opportunities and working to facilitate SME business transactions. This could include identifying products, potential technology transfers, and new marketing opportunities; assisting SMEs in accessing investment and operating capital; and providing technical assistance and other support specifically required to make ventures successful.

When possible, members of the BAS will assist client companies in maximizing the value of the Regional Trade Promotion and the Quality Management Program component. In addition, it is expected that the contractor will work closely with the USAID's Trade and Investment Project (TIP) which has five oblast-level offices located in Almaty, Pavlodar, Ust Kamenogorsk, Uralsk and Atyrau, Kazakhstan; Bishkek and Osh, Kyrgyzstan. A portion of the contractor's performance evaluation will be based on its ability to complement and coordinate its activities with the TIP to maximize synergies between these projects.

Because of the developing nature of the business environment, the exact criteria for the eligibility of companies, the limits on advisory support, the qualifications and payments for the advisors, modes of coordination within the BAS and other operating rules and procedures may be adjusted on an annual basis through the workplan. In general, the intention is to assist companies in order to spur profitability and growth in a cost-effective manner and to promote synergies with other assistance programs.

The BAS seek to serve small and medium enterprises, which would not otherwise have access to such expertise. The BAS, however, should not be entirely free. A schedule of fees based on local market conditions should be set up so that the funds available from USAID go further and the client firms value the expert advice they receive.

The BAS must also be cost-effective. This means that it must establish criteria so that decisions can be made early in the process to eliminate companies that have little hope of survival. At the same time, it will not be cost-effective to support one-on-one advisory services to very small firms. Even if this were successful, it would not provide an adequate benefit to justify the expenses. It should, however, be possible to help small companies through "batch processing" of SMEs in similar industries. The batching of courses will be open enrollment programs of management training, restructuring workshops and technical training. The advisors could provide some generic tools and help company executives of similar industries through industry specific courses and workshops on a large enough scale to be cost-effective.

4. Regional Trade Promotion

The collapse of the Soviet Union has had a severely negative impact on the economies of the Central Asian Republics, particularly in terms of dramatically reduced trade. Sources of input for agriculture and raw materials and components for industry were shut down. Markets for Central Asian products were cut off. Transportation routes were closed or interrupted. The inability of businesses in the

Central Asian Republics to re-establish trade linkages across borders has resulted in high unemployment, widespread poverty, and has stifled the growth of small and medium-sized enterprise. The emergence of five independent nations in Central Asia has led each republic to economic isolation, exacerbated ethnic problems, created border disputes and political tensions, and increased the potential for conflict.

These problems are particularly acute in Ferghana Valley, the important agricultural area spread across Tajikistan, Uzbekistan, and Kyrgyzstan. The extreme poverty of this area, and its proximity to Afghanistan and Iran, make it a target for radical Islamic fundamentalism. Since the emergence of the Newly Independent States, the political, religious and ethnic tensions in Ferghana Valley have occasionally erupted into open conflict.

Through Regional Trade Promotion (RTP), USAID will expand regional trade by bringing people and businesses together as *trading partners*. RTP will promote economic development, reduce cross border tensions and conflict, increase regional stability, foster greater regional cooperation and cohesion, and grow SMEs.

RTP will increase small and medium enterprise and agri-business in Central Asia by expanding trade in the region. It will be USAID/CAR's first major initiative specifically aimed at increasing regional trade, and the first employing technology designed to facilitate regional trade. The resulting technological advances and trade relationships developed as a result of this initiative will serve to fuel lasting growth of Central Asia's SME environment after USAID assistance has ceased.

The Regional Trade Promotion activity will include the operation of a Regional Trade Network (RTN). The internet-based RTN will facilitate communication, collaboration, and sustainable partnerships among Central Asian SMEs. This technology will enable enterprises to locate potential customers, vendors, and other business partners in the region. Most SMEs and agri-businesses in Central Asia do not have access to the internet, or even to computers. Therefore, RTP teams, consisting of local experts and one ex-pat, will canvas SMEs and agri-businesses to gather information on their production, including necessary inputs and intermediate and finished products. These teams will enter the information into the RTN terminals. The resulting trade leads will be qualified, matched, and disseminated over the RTN. Trade leads will be examined first for possible transactions at the local or regional level. The RTP teams in each Republic will notify firms having the potential to enter into a transaction with the originating firm.

This process ensures that local firms have priority access to each potential transaction and will steadily expand their knowledge of the firms, products, and services available in each locale. When a match cannot be made locally or regionally, the trade lead will be run through the USAID Global Bureau's Global Technology Network to identify potential trade opportunities with American firms.

The RTN terminals will be housed in the USAID/CAR Enterprise Development Centers, as well as in existing local business associations in order to ensure greater local access to the information and facilitate RTN training for association members. This will prepare local counterparts to continue building sustainable trade partnerships after USAID support is completed.

In addition to working on the RTN, the RTP staff will serve as a further catalyst to trade by identifying potential business opportunities and working to facilitate transactions between SMEs.

This will include identifying products, potential technology transfers, and other support specifically required to help make ventures successful.

USAID recently established the Regional Trade Promotion component. The contractor shall maintain and expand this component via a network of Enterprise Development Centers (EDC's) (located in Almaty, Pavlodar, Ust Kamenogorsk, Uralsk and Atyrau, Kazakhstan; Bishkek and Osh, Kyrgyzstan) to increase trade by bringing people and businesses together as trading partners. The centers link buyers and sellers through an internet-based Regional Trade Network (**RTN**). The centers also facilitate partnership by linking local business associations. Expanded regional trade within the Republics of Central Asia promotes economic development, reduce cross border tensions and conflict, increase regional stability, foster greater regional cooperation and cohesion, and grow SMEs. The contractor will continue and expand these regional trade network activities.

The needs most commonly cited by private businesses in Central Asia are: timely and current information, new skills, and affordable and accessible capital. However as one begins to delve further into how best to meet these needs, it becomes apparent that the key catalyst for each often lies in identifying and accessing new markets. That is, the connection, or in many cases, the re-connection, of buyers and sellers can often be the stimulus that provides the information, clarifies the need for new skills, or serves as the leverage to make capital affordable and available.

As the RTP teams perform company assessments, they will enter this information into the RTN. The contractor shall propose the number of company assessments by year and by country that it will accomplish over the course of the contract. In addition, the contractor may choose to devise a performance monitoring method that demonstrates the contractor's ability to facilitate trade transactions deals by using information logged into the RTN. The contractor would be compensated based on increased trade directly attributable to the RTP activities under this contract. The contractor shall pursue efforts to markets and stimulate greater trade between the Central Asian Republics and Russia, Ukraine and other countries, as practicable and appropriate, to increase trade by facilitating trade through the RTN trade leads.

The RTP component's chief objective will be to maintain a database of businesses in the Central Asian Republics that will be used as a basis from which a system of matching buyers and sellers is to be implemented. The RTN may draw on existing systems such as the USAID Global Trade Network (GTN), or any other commercially viable business-to-business network that can be adapted to the needs of Central Asian businesses. While trading on a global scale into the United States, Western Europe, or Asia is desirable, the realities within an abundance of the businesses in Central Asia is that cross-border trading within Central Asia is the first logical step with further expansion into the FSU and Central Eastern Europe occurring as businesses develop. The envisioned regional trade promotion activity will be capable of assisting those businesses that are further into their growth/development and whose products can compete in other market places. The overarching goal of the RTP is to expand trading activities first locally, then regionally, and ultimately internationally.

The RTP will contain both the human and technical resources that provide the business communities of Central Asia with the trade advocacy support necessary to create a more vibrant cross-border trading environment. These resources will be formed into **RTP Teams** that work closely with the other components in the Enterprise Development Project (Business Training, Accounting Reform, Business

Advisory Service, and Quality Management) to ensure that businesses are strengthened to the maximum degree possible so as to take full advantage of the potential of the RTN.

5. Quality Management Services

In an effort to stimulate growth among SMEs, USAID recently developed a business plan to partner with U.S. based multinational oil companies to create a Quality Management Center (QMC) in Atyrau, Kazakhstan. USAID has identified the region as the major Global Development Alliance focus in Central Asia.

With its increased importance to the U.S. Government and U.S.-based multinational oil companies, Kazakhstan requires significant assistance to meet increasing demands from the international community. Of particular importance is the ability of Kazakhstan's SME sector to gain the necessary skills and knowledge to run successful, internationally competitive SMEs able to supply goods and services to the oil industry.

Currently, U.S.-based multinationals are under tremendous pressure to buy goods and services from local, Kazakhstani suppliers. The GoK is insisting that multinationals significantly increase local content and has threatened to impose import substitution policies if this condition is not met. Though multinationals would like to comply, few SMEs are currently capable of producing goods that meet the standards required by those companies.

To develop the Global Development Alliance Quality Management Center in Atyrau, USAID is seeking potential partnerships with U.S.-based multinational corporations to offer quality management and ISO 9001 training to local companies. Once these companies have received ISO 9001 certification, they will meet international standards and qualify to provide goods and services to the multinational corporations. Both the multinationals and the Government of Kazakhstan have requested that the donor community increase assistance for this purpose.

The contractor will establish one Quality Management Center (QMC) in Atyrau, Kazakhstan. The QMC will plan, schedule and program services in accordance with the market needs. Furthermore, this center will develop an on-going quality and procedures program that will meet the needs of each company deemed qualified to be prepared for ISO certification. Such companies are to receive a quality training and consulting program that leads to achieving ISO certification. In its proposal, the contractor shall propose the maximum number of companies it will initiate in the ISO certification process and the maximum number of companies it can help to achieve certification. The contractor will receive recognition of success based on increased revenues directly attributable to QMP activities under this contract. The QMC shall be implemented in conjunction with the support of multinational corporations located in the Atyrau oblast.

6. Other Related Cross-Cutting Activities

Another objective is for USAID to provide an SME information portal for Central Asia:

- Public Education and dissemination of informational material throughout the region are major components of the Project. The SME Development Project created a website and database to assist in the timely and efficient flow of information on project services and accomplishments. This website will be maintained and expanded, as appropriate;

- The contract will also publish a bi-monthly newsletter to serve as another means of promoting the project's capabilities to a wider business audience throughout Central Asia;
- The contractor will collect relevant information regarding SMEs, such information as name, address, contact information, type of business, number of employees, date registered; financials, export/import, products, input needs and other information relevant to tracking SME growth and trade activity in the region;
- The contractor will gather SME statistics in each country, including such information as the number of SMEs operating in both the formal and informal sectors, number of workers employed by SMEs, business sectors in which SMEs operate, contribution of SMEs to gross national product. This data will be used as a performance measurement tool to determine the effectiveness of this activity.

The data from the last two points will be used as a performance measurement tool to determine the effectiveness of this activity.

IV. Benchmarks & Tangible Results

The contractor understands and agrees that achievement of tangible results is the essence of the contract and that USAID/CAR will judge the contractor's success in the contract based upon whether or not the tangible results are achieved. In the event that any one or more of the tangible results is (are) not achieved, or should the contractor at any time realize that they are not achievable, the contractor shall immediately advise the CTO in USAID/CAR in writing. Furthermore, in the next report, required as part of the existing "Reporting Requirements," the contractor shall provide a complete explanation related thereto.

In reviewing the proposals, USAID will attach high importance on the expected results proposed, their feasibility, and their contribution towards achieving the intermediate results and strategic objective.

Enterprise Development Services

- The contractor will submit the first annual work plan to fulfill the tasks enumerated within 30 days of signing the contract. (Work plans are subject to CTO approval prior to implementation.)
- The contractor shall begin to implement the tasks in the work plan immediately upon CTO approval of the work plan.
- The contractor will have trained staff and local training partners in all five countries within 60 days of signing the contract.
- The contractor will maintain a 90-day "rolling" training (by country) schedule for both professional accounting and business training.

1. Business Training

- Entrepreneurs, relevant government officials, SME managers and accountants will begin receiving business courses and professional accounting course training within 90 days of signing the contract.
- The contractor is required to provide a cost per hour of education. This may be broken into two categories: business training and accountancy courses. Courses need not be broken down by subject. Again, the objective is to provide as much quality training as possible within a limited budget. The contractor will be responsible for quality control.
- The contractor is required to deliver business courses including, but not limited to, the following subjects: import and export processes, franchising, ISO 9001/2000, developing a marketing plan, human resource management, legal requirements for SMEs, taxation requirements for SMEs, analysis of financial statements, strategic planning and preparing a business plan. In general, the business courses should be tied to related project activities and objectives.

2. Accounting Reform

Adoption of International Accounting Standards (IAS) and International Standards of Audit (ISA):

- The contractor will encourage and facilitate the adoption and implementation of national standards that are fully compliant in form and content to IAS and ISA in Uzbekistan, Kazakhstan and Tajikistan.

Education/Examination/Certification of Professional Accountants:

The contractor is required to deliver through local training partners the professional accountancy courses in financial accounting, managerial accounting, finance, audit, and tax-law and information technology as described in Section IV above. The contractor, through a Examination and Certification Network, in collaboration and cooperation with TsASBA, will examine and certify Certified International Accounting Practitioners (CIAP) and Certified International Professional Accountants (CIPA) as described Section IV above. Independent of TsASBA and the Examination and Certification Network, the contractor will examine and certify Accounting Technicians. Courses have been designed and taught under the previous accounting-reform task order. These courses were designed for delivery over approximately 60 hours of classroom time. The objective is that after completing these courses specified above, participants should have a body of knowledge sufficient to allow them to take individual exams in the five modules (financial accounting, managerial accounting, finance, audit and tax, and law). Upon satisfactory completion of these exams, the participants would receive a professional certification compatible with the core accounting requirements of IFAC's International Education Guidance (IEG)-9 and Study Two as described above. The contractor shall continue to improve course material, including translations and printing of current textbooks, as allowed under USAID royalty agreements with the publishing companies.

- The contractor will continue to develop and deliver courses, exams and the administrative infrastructure for these exams, in order to establish an examination and certification program for accountants that fully complies with the International Education Guidance 9 (IEG-9), Study 2 issued by IFAC, and the USAID technician certification (Financial Management #1).
- The contractor shall propose a training and certification benchmark schedule in the workplan.

- The contractor shall assist local counterparts in implementing testing and certification programs compatible with IFAC guidance.

Accounting Curriculum Development and Training of Teachers:

In the areas of accounting curriculum and teacher training, the contractor will:

- finalize the outline of the Model Curriculum for undergraduate accounting;
- identify materials for the Model Curriculum;
- submit the Model Curriculum and materials to MOEs, HEIs and accounting teachers in Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan; and
- provide special methodological/pedagogical training;
- play lead role in translation/printing of textbooks that adhere to new UNCTAD/ISAR curricula.

Association Development:

In the area of professional association support and development, the contractor will support the development of progressive professional accounting and auditing associations that adopt or have IFAC compliant charters, and that promote IFAC standards, ethics, practices and principles. Progress will be measured as follows:

- The level of international standardization and compliance will be measured, at a national level, by the number of individual or jointly organized associations accepted as full or associate members of IFAC. Those associations that are not members of IFAC should become associate members, and those that are associate members should become full members.
- Work with TsASBA, the Central Asian Regional Accounting Association, to develop and to help implement a business plan for self-sustainability.

The institutional and advocating capacity of accounting and audit organizations will be measured through the adoption of National Accounting Standards that are fully IAS-compliant and National Standards of Audit that are ISA-compliant.

3. Business Advisory Services

- The contractor will have the consulting team visit SMEs in Kyrgyzstan, Kyrgyzstan, Uzbekistan, and Tajikistan to determine business needs.
- At the end of each EVA assignment, an analysis of each company supported during the assignment will be prepared.
- The contractor will create a centralized database for compiling information on training participants, trade information, and assisted SMEs. To the extent possible, reports on the impact on business advisory will be maintained.
- The contractor will establish and maintain Enterprise Development Offices in Almaty, Pavlodar, Ust Kamenogorsk, Uralsk and Atyrau, Kazakhstan; Bishkek and Osh, Kyrgyzstan, Tashkent and Ferghana City, Uzbekistan; and Khojand and Dushanbe, Tajikistan.

4. Regional Trade Promotion (RTP)

- The contractor will maintain and expand, as appropriate, an internet-based regional trade network to (RTN) to facilitate cross-border trade among of SMEs throughout Central Asia.

- The contractor will facilitate trade among Central Asian companies and with other countries of the Former Soviet Union, such as Russia and Ukraine.
- The contractor will maintain a record of trade matches. This record will identify problem areas presented by these trade opportunities and successful transactions and make recommendations as how best to mitigate these problems.
- The contractor will devise a simple performance monitoring system that demonstrates the contractor's ability to facilitate trade.

5. Quality Management Services

- The contractor will provide Quality Management Services throughout Kazakhstan. The contractor will provide these services from a Quality Management Center located in Atyrau. The contractor will assist SMEs to become ISO 9001/2000 certified. The contractor will provide information, training, and consulting to companies to assist them to become suppliers to the multi-national oil companies and other large firms in Kazakhstan and the region.

6. Other Related Activities

Another objective is for USAID to provide an SME information portal for Central Asia.

- Public Education and dissemination of informational material throughout the region are major components of the Project. The SME Development Project created a website and database to assist in the timely and efficient flow of information on project services and accomplishments. This website will be maintained and expanded, as appropriate;
- The contract will also publish a bi-monthly newsletter to serve as another means of promoting the project's capabilities to a wider business audience throughout Central Asia;
- The contractor will collect relevant information regarding SMEs, such information as name, address, contact information, type of business, number of employees, date registered; financials, export/import, products, input needs and other information relevant to tracking SME growth and trade activity in the region;
- The contractor will gather SME statistics in each country, including such information as the number of SMEs operating in both the formal and informal sectors, number of workers employed by SMEs, business sectors in which SMEs operate, contribution of SMEs to gross national product. This data will be used as a performance measurement tool to determine the effectiveness of this activity.
- The contractor will work with USAID to develop a Performance Monitoring Plan.

[END OF SECTION C]

[End of Modification]